

JSC „DITTON PIEVADKĒŽU RŪPNĪCA”

**NON-AUDITED AND NON-CONSOLIDATED
FINANCIAL REPORT**

FOR 6 MONTHS OF YEAR 2010

(01.01.2010 – 30.06.2010)

Prepared in accordance with Latvian statutory requirements
and AS “NASDAQ OMX Riga” rules

Daugavpils

2010

JSC "DITTON PIEVADKEZU RUPNICA"
FINANCIAL REPORT FOR 6 MONTHS OF 2010

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INFORMATION ABOUT THE COMPANY

Company name	Ditton pievadkezu rupnica
Legal status	Joint Stock Company
Registrations number	40003030187
Registration in Register of Enterprises	Riga, 03.10.1991
Registration in Commercial Register Office	Riga, 29.08.2003.
Legal address	Visku Str. 17, Daugavpils, LV-5410, Latvia
Mailing address	Visku Str. 17, Daugavpils, LV-5410, Latvia
Fixed capital	7 400 000.00 LVL
Public bearer shares	7 400 000
Nominal value of one public bearer share	1.00 LVL
Chief accountant	Valentina Krivoguzova
Reporting period	01.01.2010 – 30.06.2010
Persons in charge for drawing up of the financial report:	
	Mr. Boriss Matvejevs, phone +371 65402333, e-mail: dpr@dpr.lv
	Ms. Natalja Redzoba, phone +371 65402333, e-mail: dpr@dpr.lv

INFORMATION ON MANAGEMENT BOARD AND COUNCIL MEMBERS

THE MANAGEMENT BOARD

Chairman of the Management Board

Pjotrs Dorofejevs, elected 22.06.2010 (Member of the Management Board from 07.01.2004 till 22.06.2010)

Eduards Zavadskis (29.08.2003. till 22.06.2010)

Member of the Management Board

Natalja Redzoba, elected 29.08.2003.

Jevgenijs Sokolovskis, elected 22.06.2010

Information on shares owned by Members of the Management Board

Members of the Management Board	Share ownership *	
	Quantity of shares	%
Pjotrs Dorofejevs	no shares	-
Eduards Zavadskis (29.08.2003 – 22.06.2010)	1 480 000	20
Natalja Redzoba	1 900	0,03
Jevgenijs Sokolovskis	no shares	-

THE COUNCIL

Chairman of the Council

Boriss Matvejevs, elected 14.08.2009

Deputy Chairmen of the Council

Georgijs Sorokins, elected 14.08.2009

Inga Goldberga, elected 14.08.2009

Members of the Council

Anzelina Titkova, elected 14.08.2009

Timo Sas, elected 16.10.2009

Information on shares owned by Members of the Council

Members of the Management Board	Share ownership *	
	Quantity of shares	%
Boriss Matvejevs	no shares	-
Georgijs Sorokins	5 768	0,08
Inga Goldberga	no shares	-
Anzelina Titkova	no shares	-
Timo Sas	no shares	-

For more detailed information on professional background of the Management Board and Council members please refer to our website: http://www.dpr.lv/web_ru/for-akcioner.htm

* As of 30.06.2010

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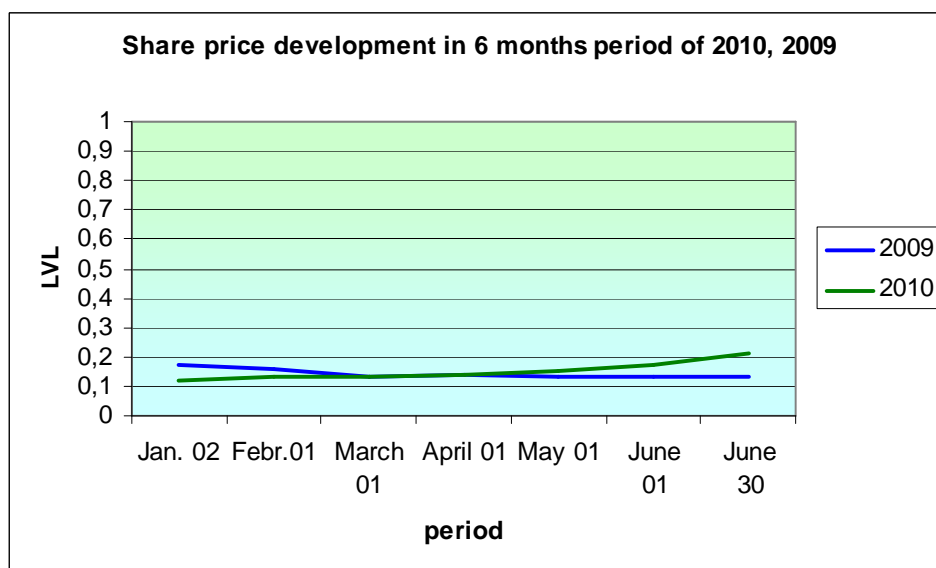
INFORMATION ON SHAREHOLDERS AND SHARES

COMPANY SHAREHOLDERS (OVER 5%) *

NAME	Ownership interest, %
Vladislavs Driksne	20,39
Eduards Zavadskis	20,00
MAX Invest Holding SIA	13,16
Maleks S SIA	9,84
Pavels Samuilovs	9,46

* *Note:* Information is presented on the basis of the list of shareholders of JSC „Ditton pievadķēžu rūpnīca” dated 20.05.2010.

SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

Information on the results of the company in 6 months of year 2010

In 6 months of 2010 net-turnover in fact was fulfilled in the amount of 3 534 thous.LVL (5 028 thous.EUR) against the forecast 3 100 thous.LVL (4 411 thous.EUR), increase amounts to 434 thous.LVL (618 thous.EUR) or 14%. Compared to the level of previous year, net-turnover of the reporting period is by 2 162 thous.LVL (3 076 thous.EUR) or by 158% more.

Profit before taxes amounted to 1 197 thous.LVL (1 703 thous.EUR) in 6 months period of 2010, which is by 1 138 thous.LVL (1 619 thous.EUR) more than the forecast. Profit after taxes amounts to 1 177 thous.LVL (1 675 thous.EUR).

Commodity output is estimated in the amount of 2 444 thous.LVL (3 478 thous.EUR). The result of 6 months of 2010 is by 216 thous.LVL (307 thous.EUR) or by 8% less than the 6 months result of the previous year.

At present the company exports 98% of its products to the East and West: among them 67% eastwards and 31% westwards; 2% of products are sold on domestic market.

The average statistical number of employees of JSC "Ditton pievadķēžu rūpnīca" was 345 employees in 6 months of year 2010.

The average salary amounted to 265 LVL (377 EUR) in 6 months period of 2010, which is by 12 LVL (17 EUR) less than in 6 months of 2009.

Market tendencies and development of the company. Risks.

The activity of the company in the 1st half of 2010 gives the ground to consider that the situation on the market where production of the company is represented has stabilized and there are certain growth trends outlined. It is indicated by the economic situation on the markets of the states where production of the company is represented and by purchase orders volumes increase from the side of our main partners (IWIS, KTS) represented on the Western market as well. Improvement of the situation on the Eastern market has been favoured by the support program for automobile manufacturers adopted by the government of Russian Federation from 01.03.2010 which undoubtedly shall increase production delivery volumes on conveyors of automobile factories.

Unfortunately, the Management Board of the company notes that up trends can be slowed down owing to price increase on metal products which started on the market in the 2nd quarter of 2010.

However at the same time the Management Board hopes that rate of turnover growth of the company forecasted for 2010 will be fulfilled which will result in stabilization of the financial situation of the company.

While being included into a global and European economics the company is not able to survive like in an oasis of "prosperity" and it faces all factors of global crisis to the same degree, reflecting the level of the general decrease. The Management Board has noticed this circumstance already before, and it is valid to the full extent. Therefore, in the analysis of the company's development tendencies and risks, it is constrained to repeat the same aspects which are mentioned in the previous quarterly reports.

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In the abovementioned circumstances the company is forced to work in economy regime by using internal resources and reorganizing production processes according to the existing volumes of demand, production and costs, including optimization of staff in accordance with production volumes and its actual employment.

The Management Board considers it as its main task to continue working upon minimizing global crisis risks, maintaining the company with its brand, technologies, personnel, traditional partners and market with future development upon overcoming the crisis together with the whole global and Latvian economics with simultaneous using of all favorable conditions appearing for development of the company's chances and its market growth.

STATEMENT ABOUT MANAGEMENT LIABILITY

According to our information, the presented financial statements for 6 months of year 2010 ended June 30, 2010 have been prepared in accordance with the existing legislative requirements and give a true and fair view of the assets, liabilities, financial position and profits of the joint-stock company "Ditton pievadķēžu rūpnīca". Management report contains truthful information.

Chairman of the Management Board of
JSC "Ditton pievadkezu rupnica"

Pjotrs Dorofejevs

JSC "DITTON PIEVADKEZU RUPNICA"
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BALANCE SHEET	30.06.2010	30.06.2009	30.06.2010	30.06.2009
ASSETS				
CURRENT ASSETS	LVL	LVL	EUR	EUR
Cash and bank	56 302	86 327	80 110	122 832
Short-term investments	0	0	0	0
Customer receivables				
Debts of buyers and customers	6 144 744	4 426 124	8 743 183	6 297 807
Accounts receivable from related companies	0	0	0	0
Allowance for uncollectible receivables	-47 232	-1 312 072	-67 205	-1 866 910
Total	6 097 512	3 114 052	8 675 978	4 430 897
Other receivables				
Other current receivables	597 379	886 463	849 994	1 261 323
Short-term loans given	0	0	0	0
Derivative financial instruments	0	0	0	0
Total	597 379	886 463	849 994	1 261 323
Accrued income				
Other accrued income	0	0	0	0
Total	0	0	0	0
Prepaid expenses				
Prepaid taxes	0	43 659	0	62 121
Other prepaid expenses	0	0	0	0
Total	0	43 659	0	62 121
Inventories				
Raw materials	898 421	1 197 580	1 278 338	1 704 003
Work-in-progress	309 228	280 509	439 992	399 128
Finished goods	703 979	1 665 054	1 001 672	2 369 159
Prepayments to suppliers	32 332	461 913	46 004	657 243
Total	1 943 960	3 605 056	2 766 006	5 129 533
TOTAL CURRENT ASSETS	8 695 153	7 735 557	12 372 088	11 006 706
NON-CURRENT ASSETS				
Long-term financial assets				
Participation in capital of other companies	47 200	0	67 160	0
Other loans and other long-term debtors	378 845	0	539 047	0
Deferred tax assets	28 867	0	41 074	0
Total	454 912	0	647 281	0
Non-current physical assets				
Land plots, buildings, equipment, costs on construction in progress	13 721 318	14 030 560	19 523 677	19 963 689
Other equipment and fixtures	399 444	406 024	568 358	577 720
Accumulated depreciation	-11 365 850	-10 933 644	-16 172 148	-15 557 174
Total	2 754 912	3 502 940	3 919 887	4 984 235
Intangible assets				
Purchased licenses, trademarks etc.	47	143	67	203
Goodwill	0	0	0	0
Prepayments for intangible assets	0	0	0	0
Total	47	143	67	203
TOTAL NON-CURRENT ASSETS	3 209 871	3 503 083	4 567 235	4 984 438
TOTAL ASSETS	11 905 024	11 238 640	16 939 323	15 991 144

1 EUR =

0.702804 LVL 0.702804 LVL

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BALANCE SHEET				
LIABILITIES & OWNERS' EQUITY	30.06.2010	30.06.2009	30.06.2010	30.06.2009
SHORT-TERM LIABILITIES	LVL	LVL	EUR	EUR
Debt obligations				
Short-term loans from financial institutions	1 658 412	40 952	2 359 708	58 269
Other loans	160 171	0	227 902	0
Short-term capital lease obligations	0	1 497	0	2 130
Total	1 818 583	42 449	2 587 610	60 399
Customer prepayments for goods and services	14 812	16 149	21 076	22 978
Creditors	445 133	493 459	633 367	702 129
Total	459 945	509 608	654 443	725 107
Tax payments	353 465	517 344	502 935	736 114
Accrued expenses				
Salary-related settlements	70 009	83 385	99 614	118 646
Interest payments	37 226	0	52 968	0
Total	107 235	83 385	152 582	118 646
Provisions	0	32 316	0	45 982
Total	0	32 316	0	45 982
TOTAL SHORT-TERM LIABILITIES	2 739 228	1 185 102	3 897 570	1 686 248
LONG-TERM LIABILITIES				
Long-term creditors	0	1 686 290	0	2 399 375
Long-term capital lease obligations	0	3 367	0	4 790
Deferred tax liabilities	0	27 247	0	38 769
Total	0	30 614	0	43 559
LONG-TERM LIABILITIES	0	1 716 904	0	2 442 934
TOTAL CREDITORS TOTAL	2 739 228	2 902 006	3 897 570	4 129 182
OWNERS' EQUITY	7 400 000	7 400 000	10 529 251	10 529 251
Share capital	0	0	0	0
Paid in capital over par	0	0	0	0
Reserves	0	0	0	0
Other reserves	0	0	0	0
Total	7 400 000	7 400 000	10 529 251	10 529 251
Retained earnings	589 152	1 632 282	838 288	2 322 528
Net profit for the reporting period	1 176 644	-695 648	1 674 214	-989 817
Currency translation reserve	0	0	0	0
TOTAL OWNERS' EQUITY	9 165 796	8 336 634	13 041 753	11 861 962
TOTAL LIABILITIES	11 905 024	11 238 640	16 939 323	15 991 144

1 EUR =

0.702804 LVL 0.702804 LVL

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INCOME STATEMENT	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Net turnover	3 533 996	1 372 457	5 028 423	1 952 830
Other operating income	656 740	125 740	934 457	178 912
Total income	4 190 736	1 498 197	5 962 880	2 131 742
Direct cost of goods sold or services rendered	-1 721 976	-854 112	-2 450 151	-1 215 292
Marketing, advertising and public relations expenses	0	-1 333	0	-1 897
Bad receivables	0	0	0	0
Other operating expenses	-173 564	-11 817	-246 959	-16 814
Salaries, bonuses and social expenses	-677 695	-772 338	-964 273	-1 098 938
Depreciation expense	-374 400	-348 906	-532 723	-496 448
Other expenses	-14 139	-106 004	-20 118	-150 830
Operating expenses	-2 961 774	-2 094 510	-4 214 224	-2 980 219
EBIT	1 228 962	-596 313	1 748 656	-848 477
Percents paid	-37 226	-43 210	-52 968	-61 482
Financial items	0	0	0	0
Financial income (except Foreign Exchange rate difference)	0	0	0	0
Financial costs (except Foreign Exchange rate difference)	0	0	0	0
Exchange rate +gain / -loss	4 985	1 930	7 093	2 746
Financial items	-32 241	-41 280	-45 875	-58 736
Profit before extraordinary items and taxes	1 196 721	-637 593	1 702 781	-907 213
EBT	1 196 721	-637 593	1 702 781	-907 213
Taxes	-20 077	-58 055	-28 567	-82 605
Profit after taxes	1 176 644	-695 648	1 674 214	-989 818
Net profit	1 176 644	-695 648	1 674 214	-989 818
Index EPS	0.159	-0.094	0.226	-0.134
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804 LVL</i>

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CASH FLOW STATEMENT	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
CASH GENERATED FROM OPERATIONS	7 805	14 547	11 106	20 699
Cash received from customers	-1 822 181	-1 464 915	-2 592 729	-2 084 386
Cash received from ML Group	0	0	0	0
Cash paid to suppliers and employees	1 829 986	1 479 462	2 603 835	2 105 085
Cash paid to suppliers and employees ML Group	0	0	0	0
NET CASH USED IN INVESTING ACTIVITIES	-4 760	13 985	-6 773	19 899
Cash paid for purchasing shares in subsidiary	0	0	0	0
Business acquisition	0	0	0	0
Purchase of fixed assets	-4 760	-594	-6 773	-845
Purchase of fixed assets from ML Group	0	0	0	0
Cash received from the sale of fixed assets	0	14 579	0	20 744
Loans given	0	0	0	0
Participation in the capital of other enterprises	0	0	0	0
Interest received	0	0	0	0
NET CASH USED IN FINANCING ACTIVITIES	-100 163	-25 658	-142 519	-36 508
Short-term loans received	0	0	0	0
Long-term loans received	0	0	0	0
Repayment of short-term loans	-62 891	17 798	-89 486	25 324
Cash paid as capital lease payments	-46	-246	-65	-350
Paid interest	-37 226	-43 210	-52 968	-61 482
Paid interest to ML Group	0	0	0	0
TOTAL CASH FLOW	-97 118	2 874	-138 186	4 090
Cash and cash equivalents as at the beginning of period	153 420	83 453	218 297	118 743
Cash and cash equivalents as at the end of period	56 302	86 327	80 111	122 833
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-97 118	2 874	-138 186	4 090
	<i>1 EUR =</i>		<i>0.702804 LVL</i>	<i>0.702804 LVL</i>

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Statement of changes in equity for the period from 01.01.2010 till 30.06.2010 (LVL)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
As at 1st January, 2010	7 400 000	-	-	-	589 152	-	7 989 152
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2009	-	-	-	-	-	-	-
Allocation of profit of 2009 to dividends	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months of 2010	-	-	-	-	-	1 176 644	1 176 644
As at 30 June, 2010	7 400 000	-	-	-	589 152	1 176 644	9 165 796
As at 1st January, 2009	7 400 000	-	-	-	1 632 282	-	9 032 282
Dividend relating to 2008	-	-	-	-	-	-	-
Allocation of profit of 2008 to dividends	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months of 2009	-	-	-	-	-	-695 648	-695 648
As at 30 June, 2009	7 400 000	-	-	-	1 632 282	-695 648	8 336 634

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1 EUR = 0,702804 LVL

Statement of changes in equity for the period from 01.01.2010 till 30.06.2010 (EUR)							
	Share capital	Share premium	Other reserves	Currency translation reserves	Accumulated profit	Current period's profit	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 1st January, 2010 <i>(0.702804)</i>	10 529 251	-	-	-	838 288	-	11 367 539
Issue of share capital							
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2009	-	-	-	-	-	-	-
Allocation of profit of 2009 to dividends	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months period 2010 <i>(0.702804)</i>	-	-	-	-	-	1 674 214	1 674 214
As at 30 June, 2010 <i>(0.702804)</i>	10 529 251	-	-	-	838 288	1 674 214	13 041 753
1st January, 2009 <i>(0.702804)</i>	10 529 251	-	-	-	2 322 528	-	12 851 779
Dividend relating to 2008	-	-	-	-	-	-	-
Allocation of profit of 2008 to dividends	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	-	-	-
Profit for 6 months period 2009 <i>(0.702804)</i>	-	-	-	-	-	-989 817	-989 817
As at 30 June, 2009 <i>(0.702804)</i>	10 529 251	-	-	-	2 322 528	-989 817	11 861 962

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Appendix

Explanatory notes

Accounting policies and methods applied in present interim financial statement are consistent with those applied in last Annual Report.

This financial statement of JSC "Ditton pievakezu rupnica" has been prepared in accordance with the source documents and presents fairly the financial position of the JSC as of 30 June 2010 and the results of its operation and cash flows for the 6 months period ended 30 June 2010.

This financial report has been prepared in compliance with Latvian Financial Accounting Standards on a going concern basis. Appropriate accounting policies have been applied on a consistent base.

The interim financial report for 6 months of 2010 has not been audited by jury auditor.

The interim report has been prepared in Latvian Lats and Euro.

Currency exchange rate: 1 EUR = 0,702804 LVL.

JSC "DITTON PIEVADKEZU RUPNICA"
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**Summary of financial results
for 6 months of year 2010**

thous.LVL

Name of index	Forecast for 2010	6 months of year 2010		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	5 950	3 030	2 444	-586
Production of main products	5 920	3 013	2 427	-586
Production of driving chains	5 884	2 994	2 413	-581
incl. automotive	1 973	1 008	825	-183
industrial	3 911	1 986	1 588	-398
Sales volume	6 000	3 100	3 534	+434
Sales of main products	5 965	3 083	2 766	-317
Profit after taxes	40	20	1 177	+1 157

thous.EUR

1 EUR = 0,702804 LVL

Name of index	Forecast for 2010	6 months of year 2010		Deviation (+ / -)
		forecast	in fact	
Production of commodity products	8 466	4 311	3 478	-833
Production of main products	8 423	4 287	3 454	-833
Production of driving chains	8 372	4 260	3 433	-827
incl. automotive	2 807	1 434	1 174	-260
industrial	5 565	2 826	2 260	-566
Sales volume	8 537	4 411	5 028	+617
Sales of main products	8 487	4 387	3 936	-451
Profit after taxes	57	28	1 675	+1 647

Explanations and analyses on separate items of financial reports

Production of commodity products in the period of 6 months of year 2010 (thous.LVL/thous.EUR)

Output of commodity products is estimated in the amount 2 444 thous.LVL (3 478 thous.EUR). The result of reporting period is by 216 thous.LVL (307 thous.EUR) or 8% less than in 6 months period of previous year.

Production of driving chains in 6 months of 2010 (thous.meters)

Production of driving chains in natural units is by 480 thous.meters less than the forecast.

Production of driving chains in 6 months of year 2010 (thous.LVL/thous.EUR)

Production of driving chains in money terms is by 586 thous.LVL (834 thous.EUR) less than the forecast. The actual performance of reporting period is by 216 thous.LVL (307 thous.EUR) less than in the relevant period of previous year.

Sales (net-turnover) in 6 months of 2010 (thous. LVL/thous.EUR)

Net-turnover has been forecasted to amount to 3 100 thous.LVL (4 411 thous.EUR) in 6 months of year 2010, in fact it has been fulfilled in the amount of 3 534 thous.LVL (5 028 thous.EUR), increase amounts to 434 thous.LVL (618 thous.EUR). The actual performance of the reporting period is by 2 162 thous.LVL (3 076 thous.EUR) or 158% more than the index of the same period of previous year.

Sales of main products in 6 months of 2010 (thous. LVL/ thous.EUR)

Sales of main products in the reporting period was by 317 thous.LVL (451 thous.EUR) less than the forecast, and it is by 1 403 thous.LVL (1 996 thous.EUR) or 103% more than the result of the relevant period of prior year.

Proceeds from other activities are by 225 thous.LVL (320 thous.EUR) more than the result of the relevant period of last year and they amounted to 354 thous.LVL (504 thous.EUR).